

Company registration number: 0259661

# Warner Bros. Entertainment UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



# **Warner Bros. Entertainment UK Limited**

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# **Warner Bros. Entertainment UK Limited**

## **Company Information**

<b>Directors</b>	J A Berger T H Creighton S W Mertz
<b>Auditor</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Banker</b>	Barclays Bank PLC 8/9 Hanover Square London W1A 4ZW
<b>Registered office</b>	Warner House 98 Theobald's Road London WC1X 8WB

## Warner Bros. Entertainment UK Limited

### Strategic Report for the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019. In preparing this Strategic Report, the directors have complied with section 414c of the Companies Act 2006.

#### Principal activity

Throughout the year, the company has engaged in the distribution of films and television content, the sale of home entertainment product and the selling of character merchandising licences.

#### Results

The profit for the year after taxation amounted to £31,517,000 (2018 - profit of £35,914,000).

#### Review of the business and KPIs

The company's key financial and other performance indicators during the year were as follows:

	Unit	2019	2018
Turnover	£'000	381,978	472,571
Gross Profit	£'000	50,590	46,792
Operating profit	£'000	33,137	37,798
Operating margin	%	9	8
Number of employees		503	492

The company's turnover decreased year on year by 19.17%. This was owing to a drop in contractual television distribution mainly due to timing differences as well as a drop in distribution of home entertainment.

On the other hand, gross profit has increased from prior year due to a reduction in royalty payments as well as advertising and publicity costs.

There has been an decrease in administrative and distribution costs offset by a decrease in other operating income resulting in a decrease overall in operating profit of 12.33%. However, despite the decrease in operating profit, the operating margin increased by 1%. The average number of employees rose by 2.2% year on year.

#### Principal risks and uncertainties

An analysis of the risks and uncertainties of the AT&T Inc. group are discussed in the group's Annual Report which is publicly available.

The principal risks and uncertainties facing the company are detailed below.

The popularity of content is difficult to predict and can change rapidly, and low public acceptance of the company's content will adversely affect its results. The revenues derived from the sale, distribution and licensing of television programming, feature films, video games and other content depend primarily on widespread public acceptance of that content, which is difficult to predict and can change rapidly. The company must invest substantial amounts in the marketing of its content before it learns whether such content will reach anticipated levels of popularity with consumers. The popularity of the company's content depends on many factors, only some of which are within the company's control.

The company's results could be adversely affected if the company's efforts to increase digital sales of its film and television content and make digital ownership of content more compelling to consumers are not successful. Several factors have contributed to an industry-wide decline in sales of home entertainment product in physical formats in recent years, including consumers shifting to SVOD and other OTT services and electronic purchases and rentals; consumers electing to rent films, which generates significantly less profit per transaction for the company than sale of physical formats; changing retailer strategies and initiatives (eg reduction in floor space devoted to home entertainment product in physical formats); retail store closures; weak economic conditions; increasing competition for consumer discretionary time and spending; and piracy.

## **Warner Bros. Entertainment UK Limited**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

#### **Principal risks and uncertainties (continued)**

If the company fails to compete successfully against alternative sources of entertainment, there may be an adverse effect on the company's results. The company competes with other sources of entertainment, including television, premium pay television services, SVOD, and other OTT services, feature films, the Internet, home entertainment products, video games, social networking and pirated content, for consumers' leisure and entertainment time and discretionary spending. The increased number of media and entertainment choices available to consumers has made it much more difficult to attract and obtain their attention and time.

Service disruptions or failures in information systems and networks as a result of computer viruses or misappropriation of data may disrupt the company's business, damage its reputation or have a negative impact on its results or operations. Although the company develops and maintains information security practices and systems designed to prevent these events occurring, development and maintenance of these systems is costly and is likely to increase as the threats become more sophisticated.

The company is subject to a variety of laws and regulations. The company could incur significant costs to comply with new laws or regulations or substantial penalties or other liabilities if it fails to comply with them. Compliance with new laws or regulations could also cause the company to change or limit its business practices in a manner that is adverse to its business.

At regular intervals since the referendum in 2016, the company has identified and assessed various business risks arising from the UK's exit from the European Union. Based on what the company knows to date, and given the many continuing uncertainties surrounding Brexit, the company believes that it has mitigated the identified risks as best it can in the circumstances. Management has reviewed significant supply chains, likely staffing impacts, software requirements and tax reporting requirements used in the company's operations and, where possible and where relevant, similar operations of its key business partners.

Particular attention has been given to those areas that could cause an immediate impact to the company's business, such as the importation of physical products into the UK, distance sales that would become exports and possible staffing issues. Simplifications such as postponed VAT accounting on imports have been reviewed and, where necessary, EORI numbers and Transitional Simplified Procedure numbers have been applied for. Legal services have been engaged to assist staff who are known European Union nationals.

Management has also considered currency risks and opportunities due to ultimate parent company reporting in USD. Whilst revenue and profit reporting in USD would be harmed by a weaker GBP, this would be partially offset by GBP investment in infrastructure and UK film and television productions elsewhere in the Group.

## **Warner Bros. Entertainment UK Limited**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

#### **Section 172(1) Statement**

##### Introduction

Each of the directors of the Company are aware of their obligation to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard (amongst other matters) to the matters set out in paragraphs (a) to (f) of Section 172(1) of the Companies Act 2006 ("Section 172(1)").

In promoting the success of the Company, the directors consider that having regard to the likely consequences of any decision in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, and the Company maintaining a reputation for high standards of business conduct (as set out in paragraphs (a) to (e) of Section 172(1)) are of particular importance. The directors note that the need to act fairly as between members (i.e., shareholders) of the company (as set out in paragraph (f) of Section 172(1)) requires less consideration in standard decision-making processes, given that the Company has only a single member.

Each of the policies and programmes as set out below have informed and guided the directors as to how the promotion of the success of the Company for the benefit of its members as a whole should be achieved with regard to the matters set out in paragraphs (a) to (e) of Section 172(1).

##### Standards of business conduct

The directors consider that an important aspect of promoting the success of the Company is their commitment to running the Company's business according to high standards of ethics and integrity. That commitment begins with the Company's adoption of its group policy, the WarnerMedia Standards of Business Conduct ("SBC"), which applies to all Company officers and employees.

The underlying principles of the SBC are that the Company's officers and employees shall act with integrity; maintain a professional workplace; respect and protect intellectual property; protect the confidentiality, security and integrity of the Company's records, information and assets; avoid conflicts of interest and compete fairly and ethically in the global marketplace.

##### The interests of the Company's employees

The Company operates a framework for employee information and consultation. During the year, the policy of providing employees with information about the Company has been continued through various means, including direct 'Employee Communications' emails, emails from local management and through the intranet site, and through regular meetings held between local management and employees to allow a free flow of information and ideas, such as meetings where employees are encouraged to present their suggestions and views. The Company also provides employees with access to an Employee Assistance Programme, which provides a confidential support line and a range of support, including information on issues such as family care, education, finance and debt and counselling. Certain employees may share in the financial success of the group by being granted AT&T Inc. stock options or restricted stock units.

## Warner Bros. Entertainment UK Limited

### Strategic Report for the Year Ended 31 December 2019 (continued)

#### Section 172(1) Statement (continued)

##### Fostering business relationships with suppliers, customers and others

One of the key principals of the SBC is that the Company should compete fairly and ethically in the global marketplace. In addition, the SBC provides that officers and employees should deal fairly and ethically with our customers, service providers, suppliers, competitors, colleagues and government officials and agencies.

##### The impact of the Company's operations on the community and the environment

Each of the directors engages with employees, suppliers and customers, and other business partners on a regular basis, via a variety of meetings as required in performing their roles as executives of the Company.

The Company supports Warner Bros. Creative Talent, a multi award-winning programme that develops diverse, emerging talent from all backgrounds. Established in 2013, it identifies and incubates a pipeline for the UK's creative industries, in film, TV, games and theatre, via scholarships, apprenticeships, work and training placements, mentoring and masterclasses.

Through corporate policy and Company-wide participation, the Company's environmental programs support the Company's business objectives of efficiency, strategic growth and sustainability.

On behalf of the Board



.....  
T H Creighton  
Director

Date: Nov 25, 2020

## **Warner Bros. Entertainment UK Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The directors present their annual report on the affairs of Warner Bros. Entertainment UK Limited ("the company") together with the financial statements for the year ended 31 December 2019.

#### **Dividends**

No dividends were paid during the year (2018 - £nil).

#### **Important non adjusting events after the financial period**

Subsequent to the company's 31 December 2019 financial year end, the COVID-19 outbreak was declared a pandemic by the World Health Organisation, in March 2020. Governments, the UK government among them, have imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events.

The outbreak and the response of governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the company's business. For the filmed entertainment sector, the main COVID-19 impact has been the shutdown of all production activity. National and industry guidelines for the return to normality remain uncertain and under ongoing consideration, but the expectation is that some restrictions will remain in place, both across the country and internationally, for a prolonged period.

The scale and duration of these developments remain uncertain as at the date of this report, however it is the expectation of management that any impacts will be short-term on the company's cash flow and they will not have a long-term impact on the company's earnings or financial position. It is not possible to estimate the impact of the effects of governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the company.

The directors have assessed the impact of COVID-19 on the company, including a review of the customer base, customer contract terms and cash collection; procurement and supply chain; operations; staff working arrangements and capacity. At present, the directors believe that the company is well placed to continue without significant adverse operational or financial impact.

The financial statements have been prepared based upon the conditions existing at the 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after the 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19.

There were no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, or the results of those operations or the state of affairs of the company in future financial years.

#### **Foreign branches**

The financial statements include transactions relating to a branch based in the Republic of Ireland.



## **Warner Bros. Entertainment UK Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Going Concern**

The directors have reviewed the current financial performance and position of the company and considered the impact of COVID-19 on future trading of the company and are confident that it will not lead to the company no longer being a going concern. The operations of the company continue to be cash generative, and in the unlikely event that it is not possible for the company to meet their liabilities as they fall due, the ultimate parent company AT&T Inc. has agreed to provide continued financial support to the company for the foreseeable future to meet its obligations as and when they fall due, for a minimum of 12 months from the date of these financial statements, to the extent that the company is unable to meet its liabilities.

AT&T Inc. released its half year 2020 results on 23 July 2020, which demonstrates the group has generated an EBITDA of US\$25,525m. Based on this information and on enquiry the directors believe that the ultimate parent company, AT&T Inc. has the ability to provide financial support to the company for the foreseeable future if the need arises.

As a result, the directors are confident that they will be able to continue to trade for at least 12 months from the signing of the financial statements regardless of the impact of COVID-19. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### **Directors of the company**

Except as noted below, the following were directors of the company who served throughout the year and were still directors at the date of this report:

J A Berger  
T H Creighton  
S W Mertz

The Articles of Association do not require directors to retire either by rotation or in the year of appointment.

#### **Directors qualifying third party indemnity provisions**

The company may indemnify one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 and the company may purchase insurance for this purpose. AT&T Inc. has purchased a directors and officers liability insurance policy for the benefit of the company and its directors and such policy was in force during the year and is in force as at the date of approving the Directors' Report.

#### **Employment of disabled persons**

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities adequately meet the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

## Warner Bros. Entertainment UK Limited

### Directors' Report for the Year Ended 31 December 2019 (continued)

#### Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has been continued through direct 'Employee Communications' emails, emails from local management and through the intranet site 'Behind the Shield'. Regular meetings are held between local management and employees to allow a free flow of information and ideas, such as the Employee Liaison Group meetings, and employees are encouraged to present their suggestions and views on issues pertaining to them within the company. Employees are encouraged to get involved with various Corporate Social Responsibility initiatives such as recycling and volunteering. Certain employees may share in the financial success of the group by being granted AT&T Inc. stock options or restricted stock units.

#### Employee and Business Engagement

The Directors have chosen, in accordance with section 414C(11) of the Companies Act 2006 (the "Act"), to include in the Strategic Report matters relating to the Company's engagement with employees, and the Company's engagement with suppliers, customers and others in a business relationship with the Company (as would otherwise be required by regulations made under section 416(4) of the Act to be disclosed in the Directors' Report) on the basis that the Directors consider such matters to be of strategic importance to the Company.

#### Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

#### Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will continue in office.

On behalf of the Board



.....  
T H Creighton  
Director

Date: Nov 25, 2020

## **Warner Bros. Entertainment UK Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Warner Bros. Entertainment UK Limited**

### **Independent Auditor's Report to the Members of Warner Bros. Entertainment UK Limited**

#### **Opinion**

We have audited the financial statements of Warner Bros. Entertainment UK Limited (the 'company') for the year ended 31 December 2019, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter - Effects of COVID-19**

We draw attention to Note 1(b) and Note 23 of the financial statements, which describe the impact on the Company of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Warner Bros. Entertainment UK Limited**

### **Independent Auditor's Report to the Members of Warner Bros. Entertainment UK Limited (continued)**

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Warner Bros. Entertainment UK Limited**

### **Independent Auditor's Report to the Members of Warner Bros. Entertainment UK Limited (continued)**

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
Stuart Darrington (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

26 November 2020

Date:.....

# Warner Bros. Entertainment UK Limited

## Income Statement for the Year Ended 31 December 2019

	Note	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Turnover	2	381,978	472,571
Cost of sales		<u>(331,387)</u>	<u>(425,779)</u>
Gross profit		50,591	46,792
Distribution and administrative expenses		<u>(98,684)</u>	<u>(98,654)</u>
		(48,093)	(51,862)
Other operating income	3	<u>81,230</u>	<u>89,660</u>
Operating profit	3	33,137	37,798
Income from investments	6	-	400
Interest receivable and similar income	7	170	183
Interest payable and similar expenses	8	(1,650)	(1,292)
Other costs	9	<u>-</u>	<u>(52)</u>
Profit before tax		31,657	37,037
Taxation	10	<u>(140)</u>	<u>(1,123)</u>
Profit for the financial year		<u><u>31,517</u></u>	<u><u>35,914</u></u>

All amounts relate to continuing operations.

There is no difference between profit for the financial year and total comprehensive income for the year, and accordingly no separate statement of comprehensive income has been presented.

The notes on pages 16 to 34 form an integral part of these financial statements.

**Warner Bros. Entertainment UK Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2019**

	<b>Share capital £ 000</b>	<b>Capital reserve £ 000</b>	<b>Equity share based payments £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total shareholder's funds £ 000</b>
At 1 January 2018	125,001	2,863	1,976	91,838	221,678
Profit for the financial year	-	-	-	35,914	35,914
Deferred tax on share based payments	-	-	379	-	379
Transfer between reserves	-	-	(2,355)	2,355	-
At 31 December 2018	<u>125,001</u>	<u>2,863</u>	<u>-</u>	<u>130,107</u>	<u>257,971</u>

	<b>Share capital £ 000</b>	<b>Capital reserve £ 000</b>	<b>Equity share based payments £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total shareholder's funds £ 000</b>
At 1 January 2019	125,001	2,863	-	130,107	257,971
Profit for the year	-	-	-	31,517	31,517
Increase in equity related to equity settled share based payment transaction	-	-	-	2,841	2,841
At 31 December 2019	<u>125,001</u>	<u>2,863</u>	<u>-</u>	<u>164,465</u>	<u>292,329</u>

**Equity-settled share-based payments reserve**

This reserve records all current and prior period employee related equity settled share based payment transactions.

The notes on pages 16 to 34 form an integral part of these financial statements.



# Warner Bros. Entertainment UK Limited

## Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
<b>Fixed assets</b>			
Tangible assets	11	30,570	21,854
Investments	12	6,706	6,706
		<u>37,276</u>	<u>28,560</u>
<b>Current assets</b>			
Stocks	13	8,595	10,637
Debtors: amounts falling due within one year	14	262,550	286,385
Debtors: amounts falling due after more than one year	14	56,022	91,217
Cash at bank and in hand		29,442	43,660
		<u>356,609</u>	<u>431,899</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(88,315)</u>	<u>(120,307)</u>
<b>Net current assets</b>		<u>268,294</u>	<u>311,592</u>
<b>Total assets less current liabilities</b>		305,570	340,152
<b>Creditors: Amounts falling due after more than one year</b>	15	(8,666)	(77,820)
Provisions for liabilities	17	<u>(4,575)</u>	<u>(4,361)</u>
<b>Net assets</b>		<u>292,329</u>	<u>257,971</u>
<b>Capital and reserves</b>			
Called up share capital	18	125,001	125,001
Capital reserve		2,863	2,863
Profit and loss account		<u>164,465</u>	<u>130,107</u>
<b>Total shareholder's funds</b>		<u>292,329</u>	<u>257,971</u>

Approved by the Board and signed on its behalf by:



.....  
T H Creighton  
Director

Date: Nov 25, 2020

Company registration number: 0259661

The notes on pages 16 to 34 form an integral part of these financial statements.

## **Warner Bros. Entertainment UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 Accounting policies**

##### **a) Statement of compliance**

Warner Bros. Entertainment UK Limited is a limited liability company incorporated in England & Wales. The Registered Office is 98 Theobald's Road, London, WC1X 8WB.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2019.

##### **b) Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and with applicable United Kingdom accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The company has taken advantage of the exemption from the requirement to prepare consolidated financial statements available under s401 of the Companies Act 2006, as it is a wholly-owned subsidiary undertaking of AT&T Inc., a company incorporated in the United States of America, which prepares publicly available consolidated financial statements (see note 22).

##### **Going Concern**

The directors have reviewed the current financial performance and position of the company and considered the impact of COVID-19 on future trading of the company and are confident that it will not lead to the company no longer being a going concern. The operations of the company continue to be cash generative, and in the unlikely event that it is not possible for the company to meet their liabilities as they fall due, the ultimate parent company AT&T Inc. has agreed to provide continued financial support to the company for the foreseeable future to meet its obligations as and when they fall due, for a minimum of 12 months from the date of these financial statements, to the extent that the company is unable to meet its liabilities.

AT&T Inc. released its half year 2020 results on 23 July 2020, which demonstrates the group has generated an EBITDA of US\$25,525m. Based on this information and on enquiry the directors believe that the ultimate parent company, AT&T Inc. has the ability to provide financial support to the company for the foreseeable future if the need arises.

As a result, the directors are confident that they will be able to continue to trade for at least 12 months from the signing of the financial statements regardless of the impact of COVID-19. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

## **Warner Bros. Entertainment UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **1 Accounting policies (continued)**

##### **Statement of cash flows**

The company has taken advantage of the exemption in FRS 102.1.12(b) Reduced disclosures for subsidiaries. A statement of cashflows has not been prepared as the company is a member of a group where the parent, AT&T Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 22).

##### **Related parties**

The company has taken advantage of the exemption in FRS 102.1.12(e) Reduced disclosures for subsidiaries. Key management remuneration has not been disclosed as the company is a member of a group where the parent, AT&T Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 22).

The company has taken advantage of the exemption in FRS 102.33.1A not to disclose related party transactions with fellow wholly-owned subsidiary undertakings of AT&T Inc., which prepares publicly available consolidated financial statements (see note 22).

##### **Share based payments**

The company has taken advantage of the exemption in FRS 102.1.12(d) Reduced disclosures for subsidiaries. Certain share based payment transactions have not been presented as the company is a member of a group where the parent, AT&T Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 22).

##### **c) Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### **Multi-employer defined benefit pension scheme**

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the region. In the judgement of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme. See note 19 for further details.

##### **Operating lease commitments**

The company has entered into leases as a lessee. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

##### **Taxation**

The company recognises liabilities for anticipated uncertain corporation tax positions based on reasonable estimates of whether additional taxes will be due and the timing of those additional taxes. Further details are contained in note 10.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

## **Warner Bros. Entertainment UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **1 Accounting policies (continued)**

##### **Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 11 for the carrying amount of the property, plant and equipment, and below for the useful economic lives for each class of assets.

##### **Inventory and sales provisions**

The sale of home entertainment product is subject to changing consumer demands and rapid technological change. When calculating the various sales and inventory provisions, management considers the nature and condition of the inventory, market conditions and assumptions around anticipated sales of finished goods. See Note 13 for the net carrying amount of the company's inventory and current year charge.

##### **Impairment of debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

##### ***d) Significant accounting policies***

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

Turnover represents the fees and royalties earned for the granting of distribution rights outside of the UK and Ireland, gross film rental income earned, film licence income, television rights income, revenue receivable from the sale of pre-recorded digital versatile and blu-ray discs and from the sale of character merchandising licences.

##### **Theatrical distribution income**

Theatrical distribution revenue is recognised on an accruals basis from the theatrical release date.

##### **Home entertainment product**

Income related to the sale of home entertainment product is recognised when the product is delivered to the customer.

##### **Television content**

Income in respect of distribution of television content is recognised when the film becomes available for its first showing on television.

##### **Film participation turnover and costs**

The company earns income through participating in the distribution of filmed entertainment across several territories. The company's turnover includes revenue earned from its distribution of filmed entertainment in the UK and Ireland, together with the net fee it earns from distribution outside of the UK and Ireland.

The company's cost of sales includes the costs of distributing filmed entertainment in the UK and Ireland.

## **Warner Bros. Entertainment UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **1 Accounting policies (continued)**

##### **Pensions**

The company is one of the sponsoring employers of the Time Warner UK Pension Plan ("the TWUK PP"), which is a defined benefit scheme. The assets of the TWUK PP are held in a separately administered fund.

The contribution rate for each employer does not reflect the individual experience of the company's members in isolation, as it is not possible to identify accurately or consistently from year to year the share of pension assets relating to the company. Consequently the company has accounted for its contributions to the TWUK PP as if it were a defined contribution scheme. Contributions to the fund of the TWUK PP are charged to the income statement as they become payable.

The TWUK PP was closed to new entrants with effect from 1 April 2010 from which time membership of the Time Warner Money Purchase Pension Plan ("the TWMP PP"), a defined contribution plan, is available. Contributions payable to the TWMP PP are charged to the income statement in the period in which they become payable. With effect from 1 April 2011, the Time Warner UK Pension Plan closed to future benefits accruals.

##### **Interest receivable and payable**

Interest income and expense are recognised on an accruals basis.

##### **Dividend income**

Dividend income is recognised when the right to receive payment is established.

##### **Deferred taxation**

Deferred tax is recognised without discounting in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

##### **Foreign currencies**

Transactions in foreign currencies are initially recorded in the entities functional currency by applying the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

##### **Share based payments**

Certain employees of the company received nonvested stock and stock units under AT&T Inc. plans. Under AT&T plans, restricted stock and stock units are granted and are valued at the market price of AT&T common stock at the date of grant and predominantly vest over a four- or five-year period. In accordance with FRS 102.26.16 the company recognises and measures the share based payment expense on the basis of the allocation of expense it receives from its ultimate parent undertaking. As a qualifying entity, the company avails itself of the exemption available under FRS 102.1.12 in relation to the disclosure requirements of section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23.

## **Warner Bros. Entertainment UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **1 Accounting policies (continued)**

##### **Investments**

Investments are stated at cost less provision for impairments.

##### **Tangible fixed assets**

Tangible fixed assets are recorded at cost, less accumulated depreciation and provision for impairment.

The company provides depreciation in equal annual instalments over the estimated lives of the assets down to their estimated residual value, at the following rates:

Leasehold Improvements	- over the shorter of the lease term and 10 years
Furniture, fittings and equipment	- over 3 to 10 years

The carrying value of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Stocks**

Stocks are stated at the lower of cost, being invoiced purchase price, and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

##### **Provisions for liabilities**

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material the provisions are discounted to their present value at the statement of financial position date.

##### **Leasing commitments**

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

##### **Financial instruments**

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### **Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

# Warner Bros. Entertainment UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Net gain/loss on financial assets/liabilities designated at fair value through profit or loss are recognised in the income statement as other costs.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

### 2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2019 %	Year ended 31 December 2018 £'000	Year ended 31 December 2018 %
United Kingdom and Ireland	378,785	99%	461,018	98%
United States of America and Canada	78	0%	144	0%
Rest of the World	3,115	1%	11,409	2%
	<u>381,978</u>	<u>100%</u>	<u>472,571</u>	<u>100%</u>

An analysis of turnover by class of business is given below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2019 %	Year ended 31 December 2018 £'000	Year ended 31 December 2018 %
Distribution of cinematography films	70,263	19%	72,969	16%
Sale of home entertainment product	92,467	24%	115,110	24%
Distribution of television content	203,405	53%	269,835	57%
Sale of character merchandising licences	15,843	4%	14,657	3%
	<u>381,978</u>	<u>100%</u>	<u>472,571</u>	<u>100%</u>

# Warner Bros. Entertainment UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 3 Operating profit

This is stated after charging/(crediting):

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Auditors remuneration - audit of the financial statements	219	202
Auditors remuneration - other non-audit services	14	26
Depreciation expense	4,057	1,905
Operating lease rentals - building & property	6,568	6,743
Operational restructuring costs	1,707	1,288
Cost of inventory	30,443	37,719
Loss on disposal of fixed assets	536	-

Included within operating profit is other operating income of £81,230,000 (2018 - £89,660,000) which is mainly service fee income generated from within the Warner Media LLC Group.

### 4 Directors' remuneration

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Aggregate remuneration in respect of qualifying services	2,239	2,642

	No.	No.
Members of defined contribution pension scheme	3	3

*The amounts in respect of the highest paid director are as follows:*

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Remuneration in respect of qualifying services	1,109	1,375



# Warner Bros. Entertainment UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Wages and salaries	47,367	49,926
Social security costs	7,043	7,106
Other pension costs	3,369	2,707
Share-based payment expenses	2,840	3,794
	<u>60,619</u>	<u>63,533</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Sales, marketing and distribution	183	171
Administration and support	320	321
	<u>503</u>	<u>492</u>

### 6 Income from Investments

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Dividends received from group undertakings	-	400
	<u>-</u>	<u>400</u>

### 7 Interest receivable and similar income

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Interest receivable from group undertakings	170	183
	<u>170</u>	<u>183</u>

# Warner Bros. Entertainment UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 8 Interest payable and similar expenses

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Unwinding of the discount of the dilapidation provision	214	233
Interest payable to group undertakings	1,436	1,059
	<u>1,650</u>	<u>1,292</u>

### 9 Other Costs

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Loss on realised foreign exchange hedged contracts	-	(52)
	<u>-</u>	<u>(52)</u>

### 10 Taxation on profit on ordinary activities

a) The tax charge based on the profit for the year is made up as follows:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
<i>Current tax:</i>		
UK corporation tax		
Current tax at 19% (2018 - 19%)	18	34
Double taxation relief	(18)	(30)
Overseas tax suffered	18	30
Total current tax	<u>18</u>	<u>34</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(6)	347
Charge/(credit) due to change in tax rate	-	(38)
Under provision for prior years	128	780
Total deferred tax	<u>122</u>	<u>1,089</u>
Total tax on profit on ordinary activities (note 10(c) below)	<u>140</u>	<u>1,123</u>

# Warner Bros. Entertainment UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 10 Taxation on profit on ordinary activities (continued)

#### b) Tax included in group Statement of changes in Equity

The tax (credit)/charge is made up as follows:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Deferred tax:		
Deferred tax on share based payments reserve	-	(379)
Total tax in Statement of changes in Equity	-	(379)

#### c) Circumstances affecting total tax charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2018 - 19%).

The tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Profit before tax	31,657	37,037
Corporation tax at standard rate	6,015	7,037
Factors affecting the tax charge:		
Disallowable expenses	134	147
Non qualifying depreciation	257	196
Share based payments	(374)	-
Non taxable dividends	-	(76)
Tax under provided in previous years	128	780
Group relief received for nil consideration	(6,020)	(6,923)
Impact of change of rate of tax	-	(38)
Total tax charge (see note 10(a) above)	140	1,123

## Warner Bros. Entertainment UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 10 Taxation on profit on ordinary activities (continued)

##### d) Deferred tax

Deferred tax is provided at 17% (2018 - 17%) in the statement of financial position as follows:

	31 December 2019 £ 000	31 December 2018 £ 000
Included in debtors	<u>458</u>	<u>580</u>
Analysed as:		
Accelerated capital allowances	457	580
Pension costs	<u>1</u>	<u>-</u>
	<u>458</u>	<u>580</u>
Analysis of movement in deferred tax:		
Balance at start of period		580
Charged to income statement		<u>(122)</u>
At end of period		<u>458</u>

The net reversal of deferred tax expected to occur in the following year is £661,000. This is due to capital allowances in excess of depreciation.

##### e) Factors affecting future tax charges

The Finance Act 2016 included legislation to reduce the main rate of corporation tax rate from 19% to 17% from 1 April 2020. The effect of these changes on the deferred tax balance is reflected in these accounts. In the 2020 Budget, it was announced that the reduction to 17% will not now take place. This change became substantively enacted on 17 March 2020 when the Budget Resolution was passed and was enacted when the Finance Act 2020 was given Royal Assent on 22 July 2020. The impact of the cancellation of the rate reduction is an increase in the deferred tax asset of £54,000.

# Warner Bros. Entertainment UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 11 Tangible fixed assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
At 31 December 2018	29,621	16,438	46,059
Additions	-	13,309	13,309
Asset reclassification	10,785	(10,785)	-
Disposals	(14,708)	(642)	(15,350)
Write-offs	(929)	(1,168)	(2,097)
At 31 December 2019	<u>24,769</u>	<u>17,152</u>	<u>41,921</u>
<b>Depreciation</b>			
At 31 December 2018	17,225	6,980	24,205
Charged during the year	1,806	2,251	4,057
Disposals	(14,708)	(642)	(15,350)
Write-offs	(735)	(826)	(1,561)
At 31 December 2019	<u>3,588</u>	<u>7,763</u>	<u>11,351</u>
<b>Net book value</b>			
At 31 December 2019	<u>21,181</u>	<u>9,389</u>	<u>30,570</u>
At 31 December 2018	<u>12,396</u>	<u>9,458</u>	<u>21,854</u>

Included within furniture, fittings and equipment is £634,000 (2018 - £2,753,000) of costs relating to assets in the course of construction. These will be depreciated once the assets are complete and ready for use.

## Warner Bros. Entertainment UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 12 Investments

	Investments in subsidiary undertakings £ 000
<b>Net book value:</b>	
At 31 December 2019	<u>6,706</u>
At 31 December 2018	<u>6,706</u>

#### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of registration	Holding	Proportion of voting rights and shares held	
			2019	2018
Thompson Place Productions Limited	England and Wales	Ordinary share capital	100%	100%
Filmbank Distributors Limited	England and Wales	Ordinary share capital	33%	33%

\*The registered office address is Warner House, 98 Theobald's Road, London, WC1X 8WB.

The principal activity of Thompson Place Productions Limited is that of theatrical production.  
The principal activity of Filmbank Distributors Limited is the distribution of filmed entertainment in non-theatrical markets.

## Warner Bros. Entertainment UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 13 Stocks

	31 December 2019 £ 000	31 December 2018 £ 000
Finished goods held for resale	<u>8,595</u>	<u>10,637</u>

The cost of stocks recognised as an expense in the year amounted to £30,443,000 (2018 - £37,719,000).

#### Impairment of stocks

The amount of impairment reversal included in profit or loss is £1,264,000 (2018 - impairment reversal of £1,647,000).

#### 14 Debtors

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Trade debtors		38,735	44,082
Other debtors		613	247
Prepayments and accrued income		177,329	302,324
Amounts owed by group undertakings		98,560	12,294
Amounts owed by associated undertakings		2,877	1,680
Deferred tax assets	10	458	580
VAT receivable		<u>-</u>	<u>16,395</u>
		<u>318,572</u>	<u>377,602</u>

Prepayments and accrued income includes £56,022,000 (2018 - £91,217,000) due after more than one year.

Included within amounts owed by group undertakings is an amount of £89,000,000 (2018 - £nil) in respect of an intercompany deposit with Time Warner International Finance Limited ("TWIF Ltd"). The deposit was interest bearing at a market rate, being either three month LIBOR minus 0.10% or the actual rates achieved for deposits by TWIF Ltd, minus 0.02%. The deposit was unsecured and repayable on demand.

All other amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand.

# Warner Bros. Entertainment UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 15 Creditors

	Note	31 December 2019 £ 000	31 December 2018 £ 000
<b>Due within one year</b>			
Trade creditors		24,796	25,100
Other payables		17	-
Other taxes and social security costs		2,369	2,070
VAT payable		6,932	-
Accruals and deferred income		24,132	34,526
Due to group undertakings		30,069	58,611
		<u>88,315</u>	<u>120,307</u>
<b>Due after one year</b>			
Deferred rent liability		8,591	3,619
Due to group undertakings		-	69,383
Other non-current liabilities		75	4,818
		<u>8,666</u>	<u>77,820</u>

Included within amounts owed to group undertakings is an amount of £nil (2018 - £69,383,000) in respect of an intercompany loan with Time Warner International Finance Limited ("TWIF Ltd"). The loan is interest bearing at market rate being TWIF Ltd cost of funds which is Barclays base rate plus 1.25% plus an applicable margin of 0.55%. The loan is unsecured and has a maturity date of 2 October 2025. All other amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

### 16 Obligations under leases and hire purchase contracts

Future minimum rentals payments under non-cancellable operating leases are as follows:

	2019 £ 000	2018 £ 000
Not later than one year	2,642	5,431
Later than one year and not later than five years	29,241	17,689
Later than five years	88,228	93,316
	<u>120,111</u>	<u>116,436</u>



# Warner Bros. Entertainment UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 17 Provisions for liabilities

	Dilapidation provision £ 000
At 31 December 2018	4,361
Arising during the year	214
	<u>4,575</u>

Provision has been made for dilapidation which relates to costs associated with the company's obligation to reinstate leased buildings to their original state. The provision has been discounted to its present value at the statement of financial position date, and the movement in the year is the unwinding of that discount.

### 18 Share capital

#### Issued, allotted, called up and fully paid

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>125,001,100</u>	<u>125,001,100</u>	<u>125,001,100</u>	<u>125,001,100</u>

## **Warner Bros. Entertainment UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **19 Pensions**

The Time Warner UK Pension Plan ("TWUK PP") is a multi-employer defined benefit plan. The total overall combined contribution rate from employers to the TWUK PP will vary depending on the experience of the plan and hence any surplus or deficit in the plan will be revealed when actuarial valuations are completed from time to time. Following the actuarial valuation as at 5 April 2014, the contributions rate payable by the company has been set based on discussions among the participating companies, so that the total contributions from all employers equal the required funding rate.

The TWUK PP was closed to new entrants with effect from 1 April 2010 from which time membership of The Time Warner Money Purchase Pension Plan ("TWMP PP"), a new defined contribution scheme, is available. With effect from 1 April 2011, the TWUK PP was closed to future benefits accrual. The assets of the TWUK PP are invested as a whole and are not segregated by the participating employer. Consequently information concerning that part of the TWUK PP's assets attributable to the company is not available.

The company has discussed the position with the TWUK PP's actuaries and, in accordance with FRS 102 section 28 Employee Benefits has taken their advice that the company treat its participation in TWUK PP as if it were a defined contribution scheme. At 31 December 2018 and 31 December 2019, on a FRS 102 section 28 basis and before any related deferred tax, the scheme was in surplus.

Further information concerning both schemes (i.e. TWUK PP and TWMP PP) can be found in the report and financial statements of Time Warner Limited, the sponsoring employer, which are available from the Company Secretary, 16 Great Marlborough Street, London W1F 7HS.

The total pension cost to the company in relation to both schemes for the year ended 31 December 2019 amounted to £3,369,000 (2018 - £2,707,000).

#### **20 Contingent liability**

The company has entered into a group composite accounting agreement with its bankers. The terms of the agreement permit the bankers, without notice, to draw down funds deposited into the system, and to offset borrowings drawn down from the system by other group members who are also parties to these arrangements. At the statement of financial position date, funds deposited by the company into the system, and potentially at risk to cover liabilities elsewhere in the group, amounted to £24,950,000 (2018 - £42,154,000).

## **Warner Bros. Entertainment UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **21 Related parties**

During the year, turnover of £2,551,000 (2018 - £2,620,000) was invoiced to Filmbank Distributors Limited, which is 33.3% owned by the company. During the year, £549,000 (2018 - £546,000) of expenses were invoiced to Filmbank Distributors Limited. The year-end debtor balance is £411,000 (2018 - £423,000). The year-end creditor balance is £nil (2018 - £nil).

During the year, £1,203,000 (2018 - £1,257,000) of recharges were invoiced to Wizarding World Digital Limited (formerly WWDFE Limited), a company which is under common control. During the year, £nil (2018 - £nil) expenses were invoiced from Wizarding World Digital Limited (formerly WWDFE Limited). The year-end debtor balance is £2,460,000 (2018 - £1,257,000). The year-end creditor balance is £nil (2018 - £nil).

#### **22 Ultimate parent undertaking**

At 31 December 2019, AT&T Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of AT&T Inc.'s financial statements can be obtained from 208 S. Akard St, Dallas, TX 75202, USA.

## **Warner Bros. Entertainment UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **23 Non adjusting events after the financial period**

Subsequent to the company's 31 December 2019 financial year end, the COVID-19 outbreak was declared a pandemic by the World Health Organisation, in March 2020. Governments, the UK government among them, have imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events.

The outbreak and the response of governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the company's business. For the filmed entertainment sector, the main COVID-19 impact has been the shutdown of all production activity. National and industry guidelines for the return to normality remain uncertain and under ongoing consideration, but the expectation is that some restrictions will remain in place, both across the country and internationally, for a prolonged period.

The scale and duration of these developments remain uncertain as at the date of this report, however it is the expectation of management that any impacts will be short-term on the company's cash flow and they will not have a long-term impact on the company's earnings or financial position. It is not possible to estimate the impact of the effects of governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the company.

The directors have assessed the impact of COVID-19 on the company, including a review of the customer base, customer contract terms and cash collection; procurement and supply chain; operations; staff working arrangements and capacity. At present, the directors believe that the company is well placed to continue without significant adverse operational or financial impact.

The financial statements have been prepared based upon the conditions existing at the 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after the 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19.

There were no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, or the results of those operations or the state of affairs of the company in future financial years.